

BANK INDONESIA REGULATION
NUMBER: 6/2/PBI/2004
CONCERNING
THE BANK INDONESIA - SCRIPLESS SECURITIES SETTLEMENT SYSTEM
(BI-SSSS)

THE GOVERNOR OF BANK INDONESIA,

- Considering:
- a. whereas to assist the Government in the management of Government Securities, Bank Indonesia has been appointed to act as auction agent and provider of administration services as set forth in Act Number 24 of 2002 concerning Government Securities;
 - b. whereas for operation of transactions with Bank Indonesia, encompassing transactions in Open Market Operations, provision of Bank Indonesia funding facilities to Banks, and transactions in Government Securities for the account of the Government, it is deemed necessary to combine these transaction systems together with their administration systems into a single integrated system;
 - c. whereas to improve the effectiveness, efficiency, and security in the performance of these tasks of Bank Indonesia, it is deemed necessary upgrade the currently used system into a single integrated system connecting market player systems seamlessly with the Bank Indonesia systems known as the Bank Indonesia – Scripless Securities Settlement System and the Bank Indonesia – Real Time Gross Settlement System;
 - d. now therefore to provide greater legal certainty for performance of the tasks of Bank Indonesia pertaining to use of the Bank Indonesia

- Scripless Securities Settlement System, it is deemed necessary to enact legal provisions concerning the Bank Indonesia - Scripless Securities Settlement System in a Bank Indonesia Regulation;

- In view of:
1. Act Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Number 31 of 1992, Supplement to the State Gazette Number 3472) as amended by Act Number 10 of 1998 (State Gazette of the Republic of Indonesia Number 182 of 1998, Supplement to the State Gazette Number 3790);
 2. Act Number 8 of 1995 concerning the Capital Market (State Gazette of the Republic of Indonesia Number 64 of 1995, Supplement to the State Gazette Number 3608);
 3. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to the State Gazette Number 3843) as amended by Act Number 3 of 2004 (State Gazette of the Republic of Indonesia Number 7 of 2004, Supplement to the State Gazette Number 4357);
 4. Act Number 24 of 2002 concerning Government Securities (State Gazette of the Republic of Indonesia Number 110 of 2002, Supplement to the State Gazette Number 4236);

HAS DECREED:

To enact: THE BANK INDONESIA REGULATION CONCERNING THE BANK INDONESIA - SCRIPLESS SECURITIES SETTLEMENT SYSTEM.

CHAPTER I

GENERAL PROVISIONS

Article 1

The terminology used in this Regulation has the following meanings:

1. “Bank” is a Commercial Bank as referred to in Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.
2. “Open Market Operations,” hereinafter referred to as OMOs, are transactions conducted by Bank Indonesia with Banks and other parties within the framework of monetary control.
3. “Bank Indonesia Certificates,” hereinafter referred to as SBIs, are securities denominated in the Rupiah currency issued by Bank Indonesia in recognition of short-term debt.
4. “Bank Indonesia *Wadiah* Certificates,” hereinafter referred to as SWBIs, are proof of short-term fund placement according to the *wadiah* principle, operated by Bank Indonesia.
5. “Bank Indonesia Placement Facility,” hereinafter referred to as FASBI, is a facility extended by Bank Indonesia to Banks for placement of their funds at Bank Indonesia within the framework of OMOs.
6. “Government Securities,” hereinafter referred to as GS, are debt instruments denominated in Rupiahs and issued by the Government of the Republic of Indonesia as referred to in Act Number 24 of 2002 concerning Government Securities.
7. “Securities” are SBIs and Government Securities administered in the Bank Indonesia - Scripless Securities Settlement System.
8. “Bank Indonesia-Real Time Gross Settlement System,” hereinafter referred to as the BI-RTGS System, is a system for electronic funds transfer among Members in

the Rupiah ...

the Rupiah currency with settlement conducted in real time on an individual per transaction basis.

9. “Bank Indonesia - Scripless Securities Settlement System,” hereinafter referred to as BI-SSSS, is an electronic system for conducting Transactions With Bank Indonesia, including administration of these transactions and Securities Administration, seamlessly connected to Members, the Operator, and the BI-RTGS System.
10. “Transactions With Bank Indonesia” are transactions conducted by Bank Indonesia within the framework of OMOs, provision of Bank Indonesia funding facilities to Banks, and transactions in Government Securities for the account of the Government.
11. “Securities Administration” is activities encompassing registration of ownership, clearing and settlement, and agent for payment of interest (coupons) and redemption of Securities.
12. “BI-SSSS Operator,” hereinafter referred to as Operator, is the manager of the BI-SSSS conducting the operation of Transactions With Bank Indonesia and the administration of these transactions, including Securities Administration.
13. “BI-SSSS Members,” hereinafter referred to as Members, are the Ministry of Finance and parties conducting Transactions With Bank Indonesia and/or settlement of Securities through the BI-SSSS facility.
14. “Bidder for Government Securities” is a Bank, Money Market and Forex Brokerage Company, and Securities Company appointed by the Minister of Finance as eligible to bid in Government Securities auction.
15. “OMO Members” are Banks, brokers, and other parties as determined by Bank Indonesia.

16. “Central Registry” is Bank Indonesia, which performs the function of Securities Administration for the account of Banks, Sub-Registries, and other parties approved by Bank Indonesia.
17. “Sub-Registry” is a Bank and institution conducting operations as custodian and approved by Bank Indonesia to perform the function of Securities Administration for the account of customers.
18. “Securities Settlement” is the ownership transfer of Securities from holders of Securities accounts registered in the BI-SSSS for the purpose of conducting settlement of Securities transactions through the BI-SSSS.
19. “Fund Settlement” is the transfer of funds between holders of Rupiah demand deposit accounts at Bank Indonesia through the BI-RTGS system for the purpose of settlement of Securities transactions through the BI-SSSS.
20. “Delivery Versus Payment,” hereinafter referred to as DVP, is settlement of Securities transactions by means of Securities Settlement through the BI-SSSS conducted simultaneously with funds settlement at Bank Indonesia through the BI-RTGS System.
21. “Free of Payment,” hereinafter referred to as FoP, is settlement of Securities transactions by means of Securities Settlement through the BI-SSSS while Fund Settlement is conducted not simultaneously with Securities Settlement, or without Fund Settlement.

CHAPTER II

BI-SSSS OPERATOR AND MEMBERS

Article 2

The Operator is Bank Indonesia.

Article 3 ...

Article 3

- (1) Parties required to become Members are parties functioning as:
 - a. Bidders in Government Securities Auctions; and/or
 - b. OMO Members; and/or
 - c. Holders of Securities accounts at the Central Registry.
- (2) In the case of a Bank conducting conventional business operations and business operations based on sharia principles, membership for the Bank conducting conventional business operations shall be separate from membership for the Sharia Division (UUS).

Article 4

Membership status in the BI-SSSS is as follows:

- a. active;
- b. suspended; and
- c. closed.

Article 5

- (1) Members with active membership status as referred to in Article 4 item a shall be entitled to conduct all activities as appropriate to the function of the BI-SSSS Member as referred to in Article 3 paragraph (1).
- (2) Any Member whose membership status is suspended as referred to in Article 4 letter b shall not be able to conduct Transactions With Bank Indonesia and settlement of Securities transactions, other than activities for retrieving information from the BI-SSSS.

(3) Any ...

- (3) Any Member whose membership status is closed as referred to in Article 4 letter c shall be barred from all operational activities of the BI-SSSS.

Article 6

- (1) The Operator may amend the membership status of a Member pursuant to a written request or a decision by the competent supervisory agency for the Member.
- (2) Written request as referred to in paragraph (1) shall refer to change of membership status of the Member as follows:
 - a. from active status to suspended or vice-versa; or
 - b. from active status to closed; or
 - c. from the status of suspended to closed.

Article 7

- (1) If a Member is a member of the BI-RTGS System, the status of suspended or closed membership in the BI-SSSS as referred to in Article 5 paragraph (2) and paragraph (3) shall not result in change of membership status in the BI-RTGS System.
- (2) If a Member is a member of the BI-RTGS System, the status of suspended or frozen within the BI-RTGS System shall not result in change in BI-SSSS membership status.
- (3) If a BI-SSSS Member status is active, but the status of that Member in the BI-RTGS System is suspended or frozen as referred to in paragraph (2), the activities of that Member shall be restricted as follows:

- a. Under conditions of suspension in the BI-RTGS System, the Member shall not be able to purchase Securities under DVP due to the inability to conduct Fund Settlement with the selling party through the BI-RTGS System.
 - b. Under conditions of freeze in the BI-RTGS System, the Member shall not be able to conduct Fund Settlement, whether for purchase or sale of Securities under DVP, receipts of coupon or bonus payments, redemption of Securities, and/or other placement or safekeeping of funds at maturity.
- (4) If a Member is a member of the BI-RTGS System and the membership in the BI-RTGS System is closed, the BI-SSSS membership status shall be closed.

Article 8

The legal relationship between the Operator and Members shall be set out in an “Agreement between Bank Indonesia and Members Governing Use of the BI-SSSS.”

Article 9

Requirements for a Member:

- a. have in place the BI-SSSS equipment and backup as determined by Bank Indonesia; and
- b. sign an “Agreement between Bank Indonesia and Members Governing Use of the BI-SSSS” as referred to in Article 8.

Article 10

Members are required to:

- a. maintain smooth operation and security in use of the BI-SSSS;

b. bear ...

- b. bear responsibility for the accuracy of transactions and/or instructions for settlement of Securities transactions transmitted by those Members to the Operator through the BI-SSSS; and
- c. comply with relevant provisions and agreements stipulated by Bank Indonesia and/or the Operator and written agreements among Members (By-Laws).

CHAPTER III

COMPONENTS AND FUNCTIONS OF THE BI-SSSS

Article 11

- (1) The components of the BI-SSSS and principal functions of each component are as follows:
 - a. Automatic Bidding System Central Computer (BidCC) at the Operator, functioning as the facility for conducting Transactions With Bank Indonesia;
 - b. SSSS Central Computer (SCC) at the Operator, functioning as the facility for administration of Transactions With Bank Indonesia and Securities Administration; and
 - c. SSSS Terminals (STs) at Members, functioning as facilities for transmission of Transactions With Bank Indonesia and transmission of instructions to the Operator for settlement for Securities transactions.
- (2) In addition to its principal functions as referred to in paragraph (1), the BI-SSSS has auxiliary functions in the distribution of information and communications to and from the Operator and among Members.

CHAPTER IV
TRANSACTIONS WITH BANK INDONESIA

Article 12

Transactions With Bank Indonesia shall be conducted by Members for the purpose of:

- a. The operation of OMOs by Bank Indonesia in accordance with the applicable legal provisions, among others encompasses the following:
 - 1) issuance and sale of SBIs under auction and not under auction on the primary market; and/or
 - 2) sale and purchase of SBIs and Government Securities under auction and not under auction on the secondary market; and/or
 - 3) provision of FASBI in Rupiahs; and/or
 - 4) provision of SWBIs; and/or
 - 5) other OMOs.
- b. Provision of Bank Indonesia funding facilities to Banks, encompassing the Intraday Liquidity Facility, Short Term Funding Facility, Short Term Financing Facility for Sharia Banks, and other funding facilities as determined by Bank Indonesia.
- c. Execution of Government Securities transactions by Bank Indonesia for the account of the Government, encompassing the activities of:
 - 1) sale of Government Securities under auction on the primary market; and/or
 - 2) sale and purchase of Government Securities under auction and not under auction on the secondary market.

Article 13

- (1) In the event that a Member Bank appoints another Member as broker for OMO transactions as referred to in Article 12 point a and/or Government Securities

transactions ...

transactions conducted by Bank Indonesia as referred to in Article 12 point c, the Bank concerned shall be required to establish a daily broker bidding limit for the appointed broker.

- (2) The provisions for establishment of limits as referred to in paragraph (1) must be governed in a separate agreement between the Bank and the broker.

CHAPTER V

ADMINISTRATION

Part One

Administration of Transactions With Bank Indonesia

Article 14

- (1) Bank Indonesia shall conduct the administration of Transactions With Bank Indonesia by means of the BI-SSSS facility.
- (2) Administration of Transactions With Bank Indonesia as referred to in paragraph (1) encompasses the activities of administration of OMO transactions, administration of Bank Indonesia funding facilities for Banks, and administration of Government Securities transactions for the account of the Government.
- (3) Securities Administration as referred to in Article 16 through Article 22 includes administration of OMO transactions conducted with Securities instruments and administration of Government Securities transactions for the account of the Government.
- (4) Administration of OMO transactions comprising the provision of FASBI in Rupiahs and provision of SWBIs encompasses the activities of settlement, registration, calculation of discount or payment of bonus, and repayment of FASBI and SWBI nominal at maturity.

- (5) For the purpose of settlement of OMO transactions, Bank Indonesia has the power to debit the Rupiah demand deposits of a Member Bank at Bank Indonesia by means of the BI-RTGS System or debit the Securities accounts in the BI-SSSS held by a Member conducting OMO transactions.
- (6) For the purpose of settlement of OMO transactions as referred to in paragraph (5), a Bank is required to have sufficient balance in the Rupiah demand deposit of the Bank at Bank Indonesia for Fund Settlement, whether for own account or for the account of another Member having appointed that Bank as paying Bank.
- (7) For the purpose of settlement of OMO transactions as referred to in paragraph (5), a Member is required to have sufficient balance in the Securities account of that Member in the BI-SSSS for Securities Settlement.
- (8) In the event that a Bank and/or Member is unable to meet the obligations referred to in paragraph (6) and paragraph (7), Bank Indonesia shall impose sanctions in accordance with the applicable legal provisions concerning OMOs.

Article 15

- (1) Administration of Bank Indonesia funding facilities to Banks encompasses the activities of settlement, calculation and payment of interest or fees for use of the funding facilities, repayment of funding facilities at maturity, and taking possession of collateral in the event that a Bank is unable to meet its obligations.
- (2) Bank Indonesia has the power to debit the Rupiah demand deposit account of a Member Bank at Bank Indonesia through the BI-RTGS System for settlement of payment of interest and repayment of principal due on funding facilities at maturity.
- (3) If a Bank is unable to meet obligations from a funding facility at maturity as referred to in paragraph (2), Bank Indonesia has the power to take possession of

collateral ...

collateral in accordance with the applicable legal provisions for Bank Indonesia funding facilities to Banks.

Part Two

Securities Administration

Article 16

- (1) Bank Indonesia shall conduct electronic Securities Administration for Securities issued by Bank Indonesia and the Government of the Republic of Indonesia through use of the BI-SSSS facility.
- (2) In conducting Securities Administration as referred to in paragraph (1), Bank Indonesia in its capacity as Central Registry shall perform the functions of registration of Securities, clearing and settlement, and payment agent for interest (coupons) and redemption of Securities.
- (3) Bank Indonesia in its capacity as Central Registry may appoint Sub-Registries and/or work in cooperation with other parties in support of Securities Administration as referred to in paragraph (2).
- (4) The terms and conditions of appointment and closure of Sub-Registries and reporting requirements shall be stipulated further in a Circular Letter of Bank Indonesia.
- (5) In the event that Bank Indonesia appoints a Sub-Registry, Bank Indonesia reserves the right to supervise the activities of that Sub-Registry in regard to Securities Administration.
- (6) Bank Indonesia may impose sanctions on a Sub-Registry for infringement of the applicable legal provisions concerning Sub-Registries.
- (7) The sanctions referred to in paragraph (6) may comprise suspension or revocation of appointment as Sub-Registry.

Article 17

- (1) Registration of Securities shall be conducted in scripless form and by means of book entry.
- (2) Registration of Securities shall be conducted in a two-tier system consisting of:
 - a. the Central Registry, conducting the registration and ownership transfer of Securities for the account of Banks, Sub-Registries, and other parties approved by Bank Indonesia; and
 - b. Sub-Registries, conducting the registration and ownership transfer of Securities for the account of customers.
- (3) The ownership records of Securities in the Central Registry and Sub-Registries shall constitute legal proof of ownership.

Article 18

- (1) Registration of Securities in the Securities account of a Sub-Registry in the Central Registry shall comprise an omnibus account.
- (2) Registration of Securities in the Securities account of a Sub-Registry in the Central Registry as referred to in paragraph (1) shall not constitute proof of ownership of Securities in the name of the Sub-Registry.
- (3) Ownership of Securities in the names of customers shall be recorded separately from the assets of the Sub-Registry.
- (4) Sub-Registries are not permitted to maintain Securities accounts for their own account or for the account of management, shareholders, managers, and employees.

Article 19

- (1) Settlement of Securities transactions on the primary market and on the secondary market shall consist of Securities Settlement or Securities Settlement and Fund Settlement.
- (2) Settlement of Securities transactions on the primary market and on the secondary market shall be conducted on the basis of the DVP principle.
- (3) Settlement of Securities Transactions by DVP shall be conducted on the basis of the gross to gross settlement system or gross to gross and gross to net system.
- (4) Settlement of Securities transactions by FoP on the primary market and on the secondary market may only take place for transfer of Securities by means of endowment, inheritance, settlement of liabilities to or owed by Bank Indonesia or the Government, or for other purpose.
- (5) Settlement of Securities transactions on the secondary market includes but is not limited to settlement of outright transactions, repurchase agreements (repo), securities borrowing and lending, and pledges.

Article 20

- (1) To engage in transactions for purchase of Securities, any party not holding a Securities account at the Central Registry shall be required to appoint a Sub-Registry.
- (2) If a Member holding a Securities account at the Central Registry is not a member of the BI-RTGS System, that Member shall be required to appoint a member Bank of the BI-RTGS System as the receiving and/or paying Bank for Fund Settlement and/or payment of other obligations.

(3) A member ...

- (3) A member Bank of the BI-RTGS System appointed as paying Bank for Fund Settlement as referred to in paragraph (2) shall be required to establish a maximum limit in nominal per transaction and in total transaction nominal per day for each Member appointing that Bank.
- (4) The terms and conditions for maximum limits referred to in paragraph (3) shall be stipulated in a separate agreement between the member Bank of the BI-RTGS System and the Member appointing that Bank.
- (5) To fulfill obligations under Securities Settlement, a Member conducting Securities transactions on the secondary market shall be required to hold sufficient balance of Securities in the Central Registry.
- (6) To fulfill obligations under Fund Settlement, a Member Bank conducting Securities transactions whether for own account or for the account of other parties shall be required to hold sufficient balance in a Rupiah demand deposit at Bank Indonesia.
- (7) If a Member conducting Securities transactions is unable to fulfill obligations under Securities Settlement and/or Fund Settlement, the settlement of the transaction may not proceed and shall be automatically cancelled by the system after cessation of the BI-SSSS operating hours stipulated by the Operator.

Article 21

- (1) For settlement of Government Securities transactions for the account of the Government, Bank Indonesia has the power to:
 - a. debit the Rupiah demand deposit account of the Member Bank at Bank Indonesia through the BI-RTGS system, whether the Member Bank is purchasing for own account or for the account of other parties; or
 - b. debit the Securities account of the selling Member; and

c. debit ...

- c. debit the Securities account of the Government or the Rupiah demand deposit account of the Government at Bank Indonesia for the purposes of settlement of Government Securities transactions.
- (2) If a Bank and/or Member is unable to meet obligations for settlement of Government Securities transactions with the Government, Bank Indonesia shall impose sanctions in accordance with the applicable legal provisions concerning Government Securities.

Article 22

- (1) Bank Indonesia shall execute payment of interest (coupons) and redemption of Securities at maturity in respect of Securities holders registered in the BI-SSSS against the account of the issuer by crediting the Rupiah demand deposit account of the Member Bank at Bank Indonesia through the BI-RTGS System.
- (2) Bank Indonesia may redeem Securities prior to maturity and execute payment of accrued interest in respect of interest (coupons) pursuant to a written request by the issuer, subject to the approval of the Securities holder.
- (3) For execution of payment as referred to in paragraph (1) and paragraph (2), Bank Indonesia has the power to debit the Rupiah demand deposit account of the Government at Bank Indonesia.
- (4) If a Member holding a Securities account is not a member of the BI-RTGS System, the Member shall be required to appoint a member Bank of the BI-RTGS System to receive payment of interest (coupon) and proceeds of redemption of Securities.

CHAPTER VI
BI-SSSS OPERATING HOURS

Article 23

- (1) The BI-SSSS shall be in service on each working day, unless stipulated otherwise by the Operator.
- (2) The BI-SSSS shall be in service during the operating hours stipulated by the Operator.
- (3) Operating hours may be changed:
 - a. at the discretion of the Operator; or
 - b. by request of a Member.
- (4) Change in operating hours at the discretion of the Operator as referred to in paragraph (3) point a shall be made in the event of:
 - a. breakdown in the BI-SSSS; or
 - b. policy requiring Bank Indonesia to conduct settlement outside BI-SSSS operating hours.
- (5) Change in operating hours by request of a Member as referred to in paragraph (3) point b shall be made in respect of request for extension of operating hours in the event of:
 - a. emergency at the location of production of the BI-SSSS Member; or
 - b. breakdown in the SSSS Terminal resulting in limited time for conducting Transactions With Bank Indonesia and/or settlement of Securities transactions.
- (6) The BI-SSSS operating hours as referred to in paragraph (1) and paragraph (2) and requirements and procedure for change of operating hours as referred to in paragraph (4) and paragraph (5) shall be stipulated in a Circular Letter of Bank Indonesia.

CHAPTER VII

REPORTS

Article 24

- (1) At closing of the system at end of day, Members may print reports on transaction activity and overall settlement for that day, including but not limited to reports on changes in ownership of Securities and the final ownership position of Securities held by Members.
- (2) In the event of any discrepancies in the report data of Members and the Operator, the data held by the Operator shall be deemed correct.

CHAPTER VIII

FEES AND CHARGES

Article 25

- (1) The Operator shall stipulate the BI-SSSS user fees and charges payable by Members.
- (2) The Operator has the power to debit the Rupiah demand deposits of Member Banks at Bank Indonesia for collection of BI-SSSS user fees and charges.
- (3) The fees and charges referred to in paragraph (1) shall be stipulated in a Circular Letter of Bank Indonesia.
- (4) If a Member requests an extension of operating hours as referred to in Article 23 paragraph (5), the Member shall be charged in accordance with the applicable legal provisions for the BI-RTGS System.

CHAPTER IX SUPERVISION

Article 26

- (1) The Operator has the power to supervise members in their use of the BI-SSSS.
- (2) Supervision as referred to in paragraph (1) shall be conducted through on-site examination or off-site supervision on a regular basis or at any time.
- (3) The Operator may assign another party on behalf of and in the name of Bank Indonesia to conduct on-site examination as referred to in paragraph (2).
- (4) For the purpose of supervision as referred to in paragraph (2) and paragraph (3), Members shall be required to provide:
 - a. Information and data pertaining to use of the BI-SSSS;
 - b. Opportunity for on-site examination of physical facilities and supporting applications pertaining to operation of the BI-SSSS.
- (5) Other party assigned by Bank Indonesia to conduct on-site examination as referred to in paragraph (3) shall be required to maintain the confidentiality of information and data acquired in the course of examination.

CHAPTER X SANCTIONS

Article 27

In the event that a Member is unable to comply with the obligations referred to in Article 10, the Operator may impose sanctions in the form of written warning, suspension, or closure of status as Member.

CHAPTER XI EMERGENCIES

Article 28

- (1) In the event of loss of service in the BI-SSSS outside the control of a Member and/or the Operator (force majeure), the Operator shall institute the procedures and plan for dealing with emergencies (contingency plan).
- (2) The contingency plan shall be stipulated further in a Circular Letter of Bank Indonesia.

CHAPTER XII TRANSITIONAL PROVISIONS

Article 29

Any Bank and other party that prior to the date of enactment of this Bank Indonesia Regulation is an existing member of the BI-RTGS System, Member of Open Market Operations, Bidder for Government Securities, Sub-Registry, and holder of Securities accounts at the Central Registry shall be deemed Member pursuant to this Bank Indonesia Regulation insofar as that Bank and other party complies with the provisions referred to in Article 9.

CHAPTER XIII CONCLUDING PROVISIONS

Article 30

The regulations for implementation of this Bank Indonesia Regulation shall be stipulated further in a Circular Letter of Bank Indonesia.

Article 31

This Bank Indonesia Regulation shall come into force on the date of its enactment.

Enacted in Jakarta

Dated February 16, 2004

on behalf of

THE GOVERNOR OF BANK INDONESIA

ANWAR NASUTION
SENIOR DEPUTY GOVERNOR

**ELUCIDATION
TO
PBANK INDONESIA REGULATION
NUMBER: 6/2/PBI/2004
CONCERNING
THE BANK INDONESIA - SCRIPLESS SECURITIES SETTLEMENT SYSTEM
(BI-SSSS)**

GENERAL REVIEW

For the purposes of sale of Government Securities (GS) on the primary market, Bank Indonesia may be appointed as auction agent conducting open public auction by means of bids placed through bidders. Bank Indonesia thereafter also functions as administrator of Government Securities by acting as the Central Registry, which conducts the registration of issuance and registration of ownership, clearing and settlement, payment of interest (coupon), and redemption of Government Securities. To administer Government Securities traded in scripless form, Bank Indonesia uses electronic means of administration in a Book Entry Register system known as the Bank Indonesia Securities Clearing, Registration, Information, and Administration System (BI-SKRIP).

To conduct Open Market Operations (OMOs), Bank Indonesia uses a third party Automatic Bidding System (ABS) for processing transactions in Bank Indonesia Certificates (SBIs) and the Bank Indonesia Placement Facility (FASBI). The ABS is not linked to the Bank Indonesia administration system, resulting in less than efficient operation of the settlement process. Furthermore, other facilities for transactions and

administration, such as Bank Indonesia funding facilities for Banks and the provision of Bank Indonesia *Wadiah* Certificates (SWBIs), still operate manually.

As one of a number of measures to improve efficiency in the administration of SBIs, which represent the most important instrument used in OMOs, SBIs were converted into scripless form beginning in 2002. The administration of scripless SBIs is conducted using the same facility as for administration of Government Securities, namely BI-SKRIP. However, BI-SKRIP, while serving as the facility for administration of Government Securities and SBIs, has hitherto not been connected online with holders of securities, who are the market players. Settlement of transactions by market players has thus far been processed manually, with market players transmitting forms to Bank Indonesia in its capacity as Central Registry setting out instruments for settlement of sale or purchase, and thus market players continue to face settlement risk.

Due to the mounting activity in Government Securities transactions, secure infrastructure for accurate, reliable, and expeditious administration of securities has become a vital prerequisite for development of the secondary market for Government Securities. Furthermore, growth in the secondary market for Government Securities will not only support the Government in financing the State Budget deficit, but will also provide opportunity for Bank Indonesia to use Government Securities as a more effective alternative instrument for OMOs.

In view of the foregoing and to improve efficiency in the processing and administration of Bank Indonesia transactions, including administration of Government Securities and SBIs, Bank Indonesia has launched a new system to replace the BI-SKRIP. This system combines the systems for Bank Indonesia transactions and their administration into an integrated system in which market players are connected to Bank Indonesia on-line. This system, known as the Bank Indonesia – Scripless Securities

Settlement System (BI-SSSS), includes systems for electronic auction and transactions with Bank Indonesia, an information system, and a system for securities settlement among BI-SSSS users. The development of a securities settlement system linked seamlessly with the system for fund settlement by members through the Bank Indonesia – Real Time Gross Settlement (BI-RTGS) System enables market players to avail the Delivery Versus Payment (DVP) settlement system in which transactions are completed almost instantaneously in real time, thus minimizing settlement risk.

ARTICLE BY ARTICLE

Article 1

Self-explanatory

Article 2

Self-explanatory

Article 3

Paragraph (1)

Point a

Self-explanatory

Point b

Self-explanatory

Point c

The holders of Securities accounts at the Central Registry consist of Banks, Sub-Registries, and other parties approved by Bank Indonesia.

Paragraph (2)

Self-explanatory

Article 4 ...

Article 4

Self-explanatory

Article 5

Paragraph (1)

Self-explanatory

Paragraph (2)

The information available from the BI-SSSS includes but is not limited to position of Securities ownership and information on Securities traded on the secondary market.

Paragraph (3)

Self-explanatory

Article 6

Paragraph (1)

“Competent supervisory agency for the Member” is defined as Bank Indonesia for Members that are Banks and Money Market and Forex Brokerage Companies, and the Capital Market Supervisory Agency (Bapepam) for Members that are Securities Companies.

Paragraph (2)

Self-explanatory

Article 7

Paragraph (1)

Self-explanatory

Paragraph (2) ...

Paragraph (2)

Self-explanatory

Paragraph (3)

Point a

Self-explanatory

Point b

Payment of coupon or bonus and proceeds of redemption of Securities at maturity for Members whose membership in the BI-RTGS System is frozen shall be held in an escrow account at Bank Indonesia.

Paragraph (4)

Communications between RTGS Terminals (RTs) and the RTGS Central Computer (RCC) and between SSSS Terminals (STs) and the SSSS Central Computer (SCC) uses the same communications network and thus any Member of the BI-RTGS System whose membership is closed shall also not be able to connect on-line to the SCC.

Article 8

Self-explanatory

Article 9

Point a

“Backup” is defined as a reserve information technology system that contains the same applications and data as in the main system.

Point b

Self-explanatory

Article 10

Point a

“Maintain security in the BI-SSSS” includes but is not limited to the physical security of hardware and software and regulation of internal user permissions for use of the BI-SSSS applications.

Point b

Self-explanatory

Point c

“Relevant legal provisions” include but are not limited to legal provisions concerning the BI-RTGS System, OMOs, SBIs, and Bank Indonesia funding facilities extended to Banks.

“By-Laws” are defined as written agreements made among Members with the aim of achieving uniform operation of settlement of Securities transactions among Members.

Article 11

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Article 12

Point a

Self-explanatory

Point b

“Intraday Liquidity Facility,” hereinafter referred to as FLI, is a funding facility comprising a maximum value extended by Bank Indonesia to BI-RTGS Member Banks during the operating hours of the BI-RTGS System to resolve very short

term funding difficulties within the framework of maintaining the smooth operation of the national payment system, as referred to in the legal provisions concerning the FLI.

“Short Term Funding Facility,” hereinafter referred to as FPJP, is a funding facility extended by Bank Indonesia to Banks that may be used only to resolve short term funding difficulties as referred to in the legal provisions for the FPJP.

“Short Term Financing Facility for Sharia Banks,” hereinafter referred to as FPJPS, is a financing facility extended by Bank Indonesia to Sharia Banks that may be used only to resolve short term funding difficulties as referred to in the legal provisions for the FPJPS.

Point c

Self-explanatory

Article 13

Paragraph (1)

“Broker” is defined as Money Market and Forex Broker and/or Securities Company approved and/or appointed as OMO member and/or Bidder for Government Securities.

Paragraph (2)

Self-explanatory

Article 14

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3) ...

Paragraph (3)

Self-explanatory

Paragraph (4)

Self-explanatory

Paragraph (5)

Self-explanatory

Paragraph (6)

Self-explanatory

Paragraph (7)

Self-explanatory

Paragraph (8)

Self-explanatory

Article 15

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Article 16

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3) ...

Paragraph (3)

Self-explanatory

Paragraph (4)

Self-explanatory

Paragraph (5)

Self-explanatory

Paragraph (6)

Self-explanatory

Paragraph (7)

Self-explanatory

Article 17

Paragraph (1)

“Book entry” is defined as the scripless registration of ownership and transfer of ownership in an electronic journal.

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Article 18

Paragraph (1)

Detailed records per individual customer shall be maintained by the Sub-Registry by means of book entry in the administration system of that Sub-Registry.

Paragraph (2)

Self-explanatory

Paragraph (3) ...

Paragraph (3)

Self-explanatory

Paragraph (4)

Self-explanatory

Article 19

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

“Gross to gross” is a settlement process in which Securities settlement and Fund Settlement are conducted on a trade by trade basis.

“Gross to net” is a settlement process in which Securities Settlement is conducted on a trade by trade basis while Fund Settlement is conducted by means of a netting system.

Paragraph (4)

“Other purpose” is defined as, for example, transfer of Securities ownership for the purpose of closure of a Securities account and sale and purchase of Securities between customers in the same Sub-Registry, but representing different types of investors or having different residence status.

Paragraph (5)

“Outright” is defined as the sale or purchase of Securities in full relinquishment without recourse, without obligation for repurchase or resale.

“Repurchase agreement (repo)” is defined as the conditional sale of Securities with obligation for repurchase of the Securities at an agreed term and price.

“Securities borrowing and lending” is defined as the borrowing and lending of Securities at an agreed term.

“Pledge” is defined as a transaction between BI-SSSS Members for placement of Securities as collateral for an agreed term.

Article 20

Paragraph (1)

Self-explanatory

Paragraph (2)

“Other liabilities” is defined as including but not limited to charging of penalties and/or BI-SSSS user fees.

Paragraph (3)

Self-explanatory

Paragraph (4)

Self-explanatory

Paragraph (5)

Self-explanatory

Paragraph (6)

Self-explanatory

Paragraph (7)

Self-explanatory

Article 21

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Article 22

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Paragraph (4)

Self-explanatory

Article 23

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Paragraph (4)

Self-explanatory

Paragraph (5) ...

Paragraph (5)

Any change in the operating hours of the BI-SSSS may only be made by means of change in the operating hours of the BI-RTGS System.

Point a

“Location of production” is defined as the location determined by the Member for placement of an SSSS Terminal (ST).

Point b

“SSSS Terminal” (ST) is defined as a computer terminal used by a Member for conducting transactions with Bank Indonesia and settlement of Securities.

Paragraph (6)

Self-explanatory

Article 24

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Article 25

Paragraph (1)

“Fees and charges” are defined as fees and charges charged to Members, including but not limited to a charge for each transmission of transaction data and settlement instructions and requests by Members for data from the Operator and requests for data by the Operator (SCC/BidCC).

Paragraph (2)

Self-explanatory

Paragraph (3) ...

Paragraph (3)

Self-explanatory

Paragraph (4)

Self-explanatory

Article 26

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

“Other party” includes but is not limited to third party conducting the development of the BI-SSSS application, third party providing communications services, and information technology audit consultant.

Paragraph (4)

Point a

“Information and data” includes but is not limited to electronic data and explanations relevant to the objectives of supervision and examination.

Point b

Self-explanatory

Paragraph (5)

Self-explanatory

Article 27

Self-explanatory

Article 28

Paragraph (1)

“Emergency” (force majeure) is defined as an abnormal situation or condition resulting from events directly or indirectly impacting the tasks of a Member and/or the Operator and occurring beyond the control and capability of the Member and/or Operator so that a unit is unable to perform its tasks.

The Contingency Plan comprises the steps that must be followed in the event of that the BI-SSSS is unable to function.

Paragraph (2)

Self-explanatory

Article 29

Self-explanatory

Article 30

Self-explanatory

Article 31

Self-explanatory